

STATEMENT OF PURPOSE

RS19055

Repeal of Idaho Code Section 72-915 will serve to offset an adverse decision of the Idaho Supreme Court regarding the interpretation of Idaho Code Section 72-915 which could subject the State Insurance Fund to pay dividends on policies that are not financially profitable, thereby restricting the Fund's ability to reduce premiums and pay dividends to profitable policyholders. The proposed repeal of Idaho Code 72-915 will clarify the law regarding the payment of dividends by the State Insurance Fund by making it clear that in passing House Bill 774aa in 1998, it was the intent of the legislature to have the State Insurance Fund operate like an efficient insurance company subject to regulation under Title 41, Idaho Code, including the dividend provision set forth in Title 41, Chapter 28, Idaho Code. Repeal of the law effective April 3, 1998 is necessary because on that date laws were enacted which subjected the State Insurance Fund to regulation under the Insurance Code, Title 41 of the Idaho Code. This legislation will allow the State Insurance Fund to issue dividends in the same manner as other insurance companies operating within the State of Idaho.

Currently in Idaho Code, public corporations, such as city and county governments and school districts, may insure against liability for worker's compensation only through the State Insurance Fund. This legislation will amend Chapter 9 of Title 72 to permit public corporations to solicit bids for worker's compensation liability insurance from private insurance carriers.

FISCAL NOTE

The State of Idaho and public entities, which are insured by the State Insurance Fund, face losing all or part of their future dividends and deviations as a result of uncertainties as to the effect of a recent Supreme Court decision. Based on dividends and rate reduction deviations provided by the State Insurance Fund over the past two years, that number could exceed \$5,000,000 annually. Private businesses may also, due to the same uncertainties, experience the loss of future dividends and deviations since, according to the Court's decision, the Fund has no option when distributing dividends, other than to use a pro rata formula.

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